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CONSOLIDATED
RAMBLER
MINES LIMITED

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31,

1969

**DIRECTORS'
REPORT**

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting herewith the Annual Report of your Company for the year ended December 31, 1969, which includes comparative financial statements, notes relative thereto, report of the auditors, and report of the Mine Manager.

Production for the year was from the East Mine only. The average daily tonnage treated was 1,107 compared with 989 the previous year.

We refer you to the financial statements which reflect that the Company has retired its long term debt. The last installment due on the 6% second mortgage bonds in the amount of \$240,000. was made in December, 1969, three months in advance of their due date of April 1, 1970. The 7% convertible debentures in the amount of \$500,000. were retired during the last quarter of 1969, nine months in advance of their due date of September 1, 1970. Forty thousand shares of the Company's capital was issued to holders of unsecured, deferred, subordinated notes in retirement of the principal amount of \$40,000. to the note holders who elected to exercise their option to take up capital stock in the Company at \$1.00 per share in lieu of cash payment.

Subsequent to year end, your Company has been able to reduce its current liabilities as reflected in the following table:

	As At December 31 1969	As At April 30 1970
Bank loans — secured	\$200,000.	\$140,000.
Accounts payable and accrued liabilities	430,192.	229,300.
Province of Newfoundland		
— mining tax	139,142.	—
— financial fee	200,000.	—
	<hr/>	<hr/>
	\$969,334.	\$369,300.

During the year under review, your Directors concentrated on the retirement of debt with a resultant decrease in interest charges. This we were able to accomplish through a combination of steady production and increased metal prices. During the last few years, only a limited amount of exploration was carried out to conserve funds for debt retire-

ment. Your Company currently has concentrates for which settlement has not been received valuing approximately \$2,300,000, at current metal prices which assures it of sufficient funds to carry out present plans for a rather large scale exploration program and, in addition to the program now in progress as reported on by the mine manager, it is expected that an early start will be made in renewed exploration of the No. 1 mine. The present workings of the No. 1 mine will be dewatered and drifts extended to the east and west. A program of diamond drilling in the areas to the east, west, and below the present workings will then be carried out.

Plans have now been made to conduct an airborne EM-magnetometer survey over your Company's acreage to be followed by detailed ground prospecting and exploration. The aerial survey should be completed about the third week of June.

Your Company sells its copper concentrates to a Canadian smelter and the contract permits the Company to designate the destination of the saleable copper. Your Directors have designated that 100% of sales be made at the L.M.E. pricing basis. However, the Department of Industry, Trade and Commerce of the Canadian Government has directed that an amount equivalent to 17% of the product of your Company must be sold in the domestic market at 59¢ lb. for an indefinite period. The average L.M.E. price for sales of the Company's copper during the month of March was 84.0¢ which is 25.0¢ higher than the domestic price.

Your Directors wish to express their appreciation for services rendered during the year by its Staff and Employees, and to acknowledge the co-operation and the assistance of the Government of the Province of Newfoundland.

On behalf of the Board of Directors,



W.J. Doyle
President.

Toronto, Ontario,
May 11th, 1970.

MINE MANAGER'S
REPORT

Box 98, Baie Verte, Nfld.
March 23, 1970

The President and Directors
Consolidated Rambler Mines Limited
Suite 908, 330 Bay Street
Toronto 105, Ontario

Dear Sirs:

The following is the report of operations at the East Mine for the year ended December 31, 1969.

Production (East Mine)

	1969	1968
Ore Milled — Tons	404,181	361,853
Average per calendar day	1,107	989
Grade % Copper	0.99	1.30
% time mill operated	91	84
Recovery % Copper	96.4	97.7
Concentrate Produced — Tons	13,557	16,841
Copper Recovered — Pounds	7,518,962	9,367,438
Gold Recovered — Ounces	554	676

Operating Costs (per ton)

	1969	1968
Development74	.57
Mining	2.73	2.68
Milling	1.44	1.51
Mine General and Administration88	1.19
Exploration (Underground)07	.20
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	5.86	6.15

The mine is now producing at 1,225 tons per day. Grade is lower due to the fact that higher price of copper has enabled a lower grade of ore to be milled thus extending the life of the mine. This will make it possible to look for more ore at greater depth and also along strike, both east and west of present ore zone.

At present time, a decline is being driven below the 1,000 foot level to mine the ore below that horizon. This decline will be driven to the 1,125 foot level where diamond drilling to the 1,500 foot level will be carried out.

Exploration

(a) Underground

Diamond drilling underground amounted to 19,971 feet in 1969. Two holes were drilled below the 1,000 foot level and from results it was decided to purchase a Load Haul Dump unit to drive to the 1,125 foot level. A drift on the 875 foot level is being driven into the hanging wall of the present ore zone. This drift will outline ore intersections for stoping. These

intersections are higher than usual, running 2% copper. When this work is finished, an exploration Crosscut will be driven to the east of the No. 1 zone. It will then be possible to diamond drill to pick up the upward extension of deep drilling done in 1967. This gave an intersection of 43 feet of 1.53% copper at the 1,400 foot horizon.

(b) Surface

During the spring and summer of 1969, forty miles of line were cut and over 4,000 geochemical samples were taken. Numerous copper anomalies were discovered. One of these was stripped and showed high grade ore. This was drilled to a depth of 300 feet but gave low values over 40 feet of 0.40% copper. This will be drilled to greater depth during 1970, as the structure is quite similar to the east zone. This zone is 2,500 feet southwest of the main mine. At present, the other good geochemical anomalies are being drilled.

A self potential survey will be done over these lines during the coming summer. Plans for mining the ore at Big Rambler Pond as reported in the 1968 annual report are being finalized. This consists of 50,000 tons of 1.50% copper. This will be done later this year and trucked in the spring of 1971 over a winter road.

Ore Reserves

	Vertical Depth	Proven and Probable	Possible	Total	Grade
Jan. 1, 1969	1,000'	910,760	180,034	1,090,794	1.22
Jan. 1, 1970	1,000'	908,364	180,034	988,398	0.93

Tons milled during 1969 totalled 404,181 of 1% copper. Grade was lower than estimated but, due to the higher price, it was feasible to mine lower grade material which had not been calculated in the reserves. An interesting new zone on the 875 foot level has shown approximately 20,000 tons of 1.75% copper.

Drifting on the F-5 zone 875 has been completed and diamond drilling for stope outline is presently being done. One hole resulted in 90 feet of 1.32% copper, which will give a greater tonnage than the original calculation.

General

A new two-year union agreement was signed without work stoppage.

It is again a pleasure to acknowledge the loyal support of the staff and employees as well as the support and co-operation of the Officers and Directors of the Company.

Respectfully submitted,

M. P. TRUMAN, B.Sc.,
Mine Manager.

CONSOLIDATED RAN

(Incorporated under)

Balance Sheet

ASSETS

	1969	1968
CURRENT		
Cash	\$ 4,129	\$ —
Net estimated amount receivable from sale of mineral concentrate	1,554,247	1,775,726
Accounts receivable	4,463	23,831
Prepaid expenses	45,930	39,927
	<u>1,608,769</u>	<u>1,839,484</u>
FIXED		
1 Mining lease in the White Bay District, Province of Newfoundland, at cost	222,068	222,068
Land, at cost	4,485	4,485
Buildings, surface structures and equipment, at cost less accumulated depreciation of \$1,476,668 (1968 — \$1,047,952) (Note 1)	2,226,068	2,583,145
	<u>2,452,621</u>	<u>2,809,698</u>
MISCELLANEOUS		
Materials and surplus on hand and in transit, at cost	367,367	336,960
Special refundable corporation tax	10,421	11,660
	<u>377,788</u>	<u>348,620</u>
DEFERRED EXPENDITURES		
Mine development expenses, less amortization (Note 1)	<u>1,571,914</u>	<u>1,752,364</u>

Approved on behalf of the Board:

M. J. BOYLEN, Director.

G. L. MOORE, Director.

SNYDER, CRAIG & CO.,

Chartered Accountants.

\$6,011,092

\$6,750,166

(See accom

BLER MINES LIMITED

(The Laws of Ontario)

December 31, 1969

LIABILITIES

	1969	1968
CURRENT		
Bank overdraft	\$ —	\$ 7,880
Bank loans — secured	200,000	423,286
— unsecured	—	600,000
Accounts payable and accrued liabilities	430,192	354,051
Province of Newfoundland — mining tax	139,142	90,400
— financial fee	200,000	335,856
6% Second mortgage bonds — current portion	—	720,000
	<hr/> 969,334	<hr/> 2,531,473
LONG TERM		
6% Second mortgage bonds	—	240,000
7% Convertible debentures	—	500,000
5% Unsecured, deferred, subordinated notes and accrued interest	—	40,000
	<hr/> —	<hr/> 780,000

COMMITMENT

(Note 2)

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized:
5,000,000 Shares of \$1.00 par value — \$5,000,000

Issued: (Note 3)		
2,980,006 Shares	2,980,006	2,940,006
Less: Discount thereon	965,000	965,000
	<hr/> 2,015,006	<hr/> 1,975,006

CONTRIBUTED SURPLUS

Balance unchanged from previous year	14,625	14,625
	<hr/> 14,625	<hr/> 14,625

RETAINED EARNINGS

Balance, end of year	3,012,127	1,449,062
	<hr/> 3,012,127	<hr/> 1,449,062

TOTAL SHAREHOLDERS' EQUITY	5,041,758	3,438,693
	<hr/> 5,041,758	<hr/> 3,438,693

	\$6,011,092	\$6,750,166
	<hr/> \$6,011,092	<hr/> \$6,750,166

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Profit and Loss and Retained Earnings

For the year ended December 31, 1969

	1969	1968
INCOME		
Gross metal production	\$5,738,888	\$4,425,578
Less: Marketing costs	723,748	803,694
 Net metal production	 5,015,140	 3,621,884
OPERATING EXPENSES		
Mining	1,455,250	1,248,698
Milling	603,617	546,447
Mine general expenses	226,793	311,865
Administrative expenses	124,585	119,166
	 2,410,245	 2,226,176
NET PROFIT on operations before provision for depreciation and mine development expenses written off	2,604,895	1,395,708
PROVISION FOR		
Depreciation of fixed assets	435,073	251,145
Mine development expenses written off	248,827	248,827
	 683,900	 499,972
NET PROFIT ON MINING OPERATIONS	1,920,995	895,736
FINANCIAL EXPENSES AND TAXES		
Interest on first mortgage bonds	—	7,265
Interest on second mortgage bonds	20,390	68,796
Interest on convertible debentures	30,420	35,000
Other interest	152,053	198,302
Sterling funds hedged	15,684	2,835
Province of Newfoundland financial fee	—	70,000
Provision for mining taxes	94,733	41,900
	 313,280	 424,098
NET PROFIT FOR THE YEAR	1,607,715	471,638
EXTRAORDINARY ITEMS		
Loss on disposal of fixed assets	21,226	115,676
Mining claims abandoned	—	2,910
Adjustment of prior years' mining taxes	23,424	—
	 44,650	 118,586
RETAINED EARNINGS		
Balance, beginning of year	1,449,062	1,096,010
Balance, end of year	 \$3,012,127	 \$1,449,062

CONSOLIDATED RAMBLER MINES LIMITED

Statement of Source and Application of Funds

For the year ended December 31, 1969

	1969	1968
SOURCE OF FUNDS		
Net earnings	\$ 1,607,715	\$ 471,638
Depreciation of fixed assets	435,073	251,145
Amortization of mine development	248,827	248,827
	<hr/>	<hr/>
Funds applicable to operations	2,291,615	971,610
Issue of capital stock	40,000	—
	<hr/>	<hr/>
	2,331,615	971,610
	<hr/>	<hr/>
APPLICATION OF FUNDS		
Additions to buildings, surface structures and equipment	99,222	89,319
Mine development	68,377	—
Payment of 4½ % first mortgage bonds	—	324,281
Current and past due 6% second mortgage bonds included in current liabilities	—	240,000
Redemption of 6% second mortgage bonds due in 1970	240,000	—
Redemption of 7% convertible debentures	500,000	—
Payment of subordinated notes and accrued interest	—	19,899
Conversion of subordinated notes into capital stock	40,000	—
Prior years' mining taxes	23,424	—
Special refundable corporation tax	(1,239)	1,421
Increase (decrease) in materials and supplies	30,407	(55,474)
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	1,000,191	619,446
	<hr/>	<hr/>
Resulting in an increase in working capital of	\$ 1,331,424	\$ 352,164
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WORKING CAPITAL		
At beginning of year (deficiency)	\$(691,989)	\$(1,044,153)
Increase	1,331,424	352,164
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At end of year (deficiency)	\$ 639,435	\$(691,989)
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CONSOLIDATED RAMBLER MINES LIMITED

Notes to Financial Statements

December 31, 1969

UNAMORTIZED MAIN ZONE FIXED ASSETS AND MINE DEVELOPMENT EXPENSES

1. Mining operations on the main zone were discontinued at the end of October 1967. No further depreciation of main zone fixed assets not presently in use nor further amortization of main zone mine development expenses have been made since the end of 1967. The undepreciated balance of such fixed assets is estimated to be \$538,000 and the unamortized balance of mine development expenses, \$500,250.

COMMITMENT

2. The company has indicated its support and future assistance to local educational institutions and in 1968 and 1969 made payments totalling \$20,000 as part of a general undertaking amounting to \$40,000.

CAPITAL STOCK

3. During the year 40,000 shares of capital stock

were issued at \$1 per share in exchange for the 5% unsecured, deferred, subordinated notes payable.

TOTAL REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

4. Total direct remuneration paid during 1969 to directors was \$10,000 and to senior officers (as defined in the Ontario Corporations Act to include the five highest paid employees of the company) was \$73,825.

INCOME TAXES

5. The company's application for a three-year tax exemption on profits from its east zone mine is being held pending the hearing of an appeal to the Supreme Court of Canada of the case of another mining company. In the event of an adverse decision, sufficient capital cost and preproduction allowances are available to offset any income to date which may become taxable.

SNYDER, CRAIG & CO.
CHARTERED ACCOUNTANTS

CABLE ADDRESS "JNOCRAIG"
TELEPHONE 366-9444

330 BAY STREET

TORONTO

CANADA

TO THE SHAREHOLDERS OF

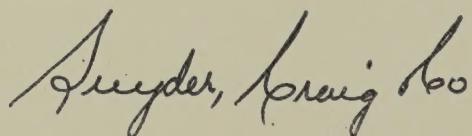
CONSOLIDATED RAMBLER MINES LIMITED,

Toronto, Ontario.

We have examined the Balance Sheet of Consolidated Rambler Mines Limited as at December 31, 1969 and the Statements of Profit and Loss and Retained Earnings, and Source and Application of Funds for the year ended on that date and the Notes to the Financial Statements. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

The company has suspended making provision for depreciation and amortization in respect of the main zone fixed assets not in use and deferred mine development expenses in the current year although mining operations at the main zone were discontinued during 1967 as set out in Note 1.

Subject to the omission of such provisions in the current year as referred to in the preceding paragraph, in our opinion, the attached financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations and the source and application of its funds for the year ended on that date. These financial statements have been prepared in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Chartered Accountants.

March 13, 1970.

